



# Open an ADP Dependent Care Flexible Spending Account



## The Value of a Dependent Care Flexible Spending Account

An ADP Dependent Care Flexible Spending Account (FSA) allows you to pay for dependent care expenses with a special tax advantage. By contributing a portion of your payroll dollars into your account on a pre-tax basis, you can save 20% to 40% on the cost of eligible dependent care.



## Reduce your dependent care expenses by 20% to 40%

Your savings will be based on your individual tax rate. FSA contributions are exempt from Federal income tax, Social Security taxes (FICA) and Michigan state income tax. The tax exempt status for FSA contributions is the mechanism that allows you to save money on your dependent care expenses.



## It's All Yours

There is no cost to you to have and use a Dependent Care Flexible Spending Account...no setup fee, no hidden fees.

## Purchasing with Pre-Tax Dollars

As an example of the value of using pre-tax dollars to pay for dependent care, consider this scenario. The Johnsons have two young children who are placed in regular day care. The annual fee for the day care is \$5,000. Assuming the Johnsons have a tax rate of 30 percent, they will save \$1,500 by using a Dependent Care FSA to pay for their dependent care expenses!



- Save 20% to 40% on your dependent care expenses
- Reduce your income taxes
- Fund your account with simple payroll deductions
- Receive reimbursement for expenses through simple claims filing

# Plan Your Contributions

The key to getting the most from your ADP Dependent Care FSA is to maximize your contributions based on anticipated eligible expenses. To plan your contributions, follow these simple steps:

- Review the list of eligible expenses.
- Review your dependent care expenses from last year.
- Write down any changes to your previous dependent care expenses (for example, a fee increase or any new expenses such as an additional child entering dependent care).
- Estimate your cost for each dependent care item.

The total of your individual estimates from above is what you should contribute to your Dependent Care FSA. It is important to remember that an FSA account is not a savings account. IRS regulations state that any amounts remaining in your account after the deadline for submission of reimbursement claims must be forfeited. For this reason, you should calculate your anticipated expenses carefully.

You can only change your total yearly contribution if you have an eligible family status change.

*Keep in mind that the more you need to spend on dependent care expenses, the greater the value you will realize from your Dependent Care FSA.*

**Please remember that you must re-enroll in your Dependent Care FSA each benefit plan year.**



## Eligible Expenses

Following is a partial list of eligible dependent care expenses. If you are uncertain about whether or not a dependent care expense qualifies for reimbursement, you should determine its eligibility before incurring the expense:

- Care at licensed nursery schools
- Day care in or outside your home
- Before and after school care
- Day camps
- Child care centers
- Babysitter or *au pair*
- Eldercare

*Note: The annual regulatory maximum for dependent care FSA contributions per household is \$5,000. The minimum is \$2.00. Additionally, if either you or your spouse earns less than \$5,000 a year, your maximum annual deposit is equal to the lower of the two incomes. If your spouse is a full-time student or incapable of self-care, your maximum annual deposit is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents. Unlike a Health Care FSA, the entire maximum annual amount is not available during the plan year but, rather, after your payroll deductions are received.*

## Opening Your Account

**It's as simple as 1-2-3 to begin contributing to your new Dependent Care FSA Account.**

- 1 Plan your contributions.**
- 2 Complete your enrollment online in MI HR Self-Service at [www.michigan.gov/selfserv](http://www.michigan.gov/selfserv) or by phone through the MI HR Service Center Lansing Area: (517) 335-0529  
Toll Free: (877) 766-6447  
TDD: (517) 241-8046.**
- 3 Watch for your confirmation statement from ADP in December. For questions about your account, contact the ADP Solution Center at 1-800-422-3703.**

Your payroll contributions to your FSA account will begin on your first pay date in January.



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